GUIDELINES AND STANDARDS FOR ASSESSING LOCAL FINANCIAL COMMITMENT

FEDERAL TRANSIT ADMINISTRATION
OFFICE OF PLANNING AND ENVIRONMENT
JUNE 2007

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1 INTRODUCTION AND PURPOSE

Throughout the year, FTA will assign each contractor several financial assessments of proposed New Starts projects. Many assessments are conducted in the fall as part of the project evaluation and rating process for the *Annual Report on Funding Allocations*. Additional assessments may be required at any time to rate projects applying to initiate preliminary engineering or final design, or, for Small Starts, “project development.” The contractor will conduct financial assessments based on information submitted by the sponsoring agency, supplemented by historical information and industry databases. The evaluation will be in accordance with the guidelines and standards in this document, the *Guidance for Transit Financial Plans, July 2000,* and the *Reporting Instructions for Section 5309 New Starts Criteria, May 2007 (Reporting Instructions).*

FTA has developed the *Guidance on Transit Financial Plans, July 2000* to define the content, scope and format of acceptable financial plans. Project sponsors are expected to produce financial plans that include all the components with all the attributes specified in this guidance. As such, the contractor must evaluate the financial plans to ensure that they conform to the content, scope, and format of the *Guidance for Transit Financial Plans*.

The contractor shall develop two products for each project assigned to them:

- **Contractor financial assessment report and rating summary.** This is the primary communication vehicle between the contractors and FTA, and needs to provide a complete picture of the project’s finances, so that FTA staff can make informed judgments about financial ratings.
- **Draft text for the project profile.** This is the text that ultimately gets included in FTA’s annual report to Congress. The audience is Congress and congressional staff.

The contractor shall review financial plans submitted by project sponsors according to the following Local Financial Commitment elements:

- Proposed Non-Section 5309 New Starts Share of Project Costs;
- Stability and Reliability of Capital Financing Plan; and
- Stability and Reliability of Operating Financing Plan.

FTA assigns ratings to each project sponsor’s financial plan for each of the three financial elements outlined above. These ratings are then combined into a summary financial rating. The following sections describe the rating methodology and required products.

2. GUIDELINES AND STANDARDS FOR FINANCIAL RATINGS

After reviewing the contractor's assessment, FTA assigns a rating of high, medium-high, medium, medium-low, or low to each of the following financial measures: 1) non-Section 5309 New Starts share, 2) stability and reliability of capital plan, and 3) stability and reliability of operating plan. FTA then assigns a summary financial rating of high, medium-high, medium, medium-low, or low to each project based on a combination of the individual ratings for each measure. These ratings are combined into an overall summary financial rating according to the weights identified in Table 1.

Table 1: Financial Measure Weightings Used to Develop Summary Rating

Financial Factor	Contribution to Summary Rating
Non-Section 5309 New Starts Share of Project Costs	20%
Stability and Reliability of Capital Plan	50%
Stability and Reliability of Operating Plan	30%
Total	100%

In addition to these weights, FTA imposes the following decision rules:

- If a proposed project's capital or operating plan receives a "medium-low" or "low" rating, the summary financial rating for the project cannot be higher than a "medium-low."
- If the New Starts share is greater than 60 percent, the rating for the non-New Starts share factor is "low."
- ***If the New Starts share, which accounts for 20% of the financial rating, brings the overall financial rating to less than "medium", it will be excluded from the overall financial rating calculation. In other words, a New Starts share of less than 80 percent can improve the project's rating but it cannot hurt it.***
- To receive an overall financial rating of "medium-high" both the capital and operating funding plans must be rated at least "medium-high."
- To be approved into Final Design, at least 50 percent of non-new starts funds must be committed or budgeted.

2.1 Non-Section 5309 New Starts Share

The non-Section 5309 New Starts share of project costs is rated to reward projects that propose higher non-New Starts funding shares. The intent of this rating factor is that, all else being equal, lower Section 5309 New Starts shares allow the New Starts program to fund a greater number of projects with the same resources. FTA contractors are directed to rate projects according to the shares listed in Table 2.

Table 2: Ratings for Non-Section 5309 New Starts Funding Shares

Rating	New Starts Share	Non-New Starts Share
High	< 35%	>65%
Medium-High	35% - 49%	51% - 65%
Medium	50% - 60%	40% - 50%
Low	> 60%	< 40%

2.2 Capital Plan

The stability and reliability of the capital plan is the key element in evaluating the financial capability of the project sponsor to construct the proposed project and initiate revenue service. The contractor shall assign a high, medium-high, medium, medium-low, or low rating to the following subfactors that contribute to the capital finance plan rating:

1. Current capital financial condition of the sponsoring agency and funding partners;
2. Degree of commitment and availability of Non-Section 5309 New Starts funds;
3. Reasonability of capital planning assumptions and cost estimates and financial capacity to cover capital cost increases or funding shortfalls.

2.2.1 Current Capital Financial Condition

The current capital financial condition of the project sponsor and funding partners is evaluated based on the audited financial statements, condition of the agency's capital assets (age of vehicles and facilities) and the agency's bond ratings. This subfactor rating reflects current rather than forecast conditions.

Bond ratings are considered in this subfactor rating only if issued within the past two years. In this case, if the subfactor rating that would be assigned based solely on the bond rating differs by at least two levels from the subfactor rating that would be assigned based solely on the fleet age, the contractor should round to the middle. For example, if the bond rating equates to a "high" rating but the fleet age equates to a "medium" rating, the contractor would round to the middle and assign a "medium-high" rating. If the subfactor rating that would be assigned based solely on the bond rating differs by only one level over what would be assigned based solely on the fleet age rating, the fleet age rating should be used. For example, if the bond rating equates to a "high" rating but the fleet age equate to a "medium-high" rating, the contractor would use the "medium-high" rating.

2.2.2 Commitment of Capital Funding Sources

The degree of commitment and availability of non-Section 5309 New Starts funds is evaluated based on the evidence provided by the project sponsor. Evidence of the degree of commitment of funds may include the Metropolitan Planning Organization's (MPO) adopted Transportation Improvement Program (TIP), legislative approvals, passed local referenda, inclusion of the project in state budget proposals, adopted CIPs, cash reserves, documentation of available debt capacity, or letters from the Governor or Secretary of the state Department of Transportation.

The rating process for this subfactor accounts for the proposed project's stage of development. Proposed projects entering PE are subject to lower standards for commitment of local funds than projects that have been in PE for several years and projects in final design. Projects can enter PE with no funding commitments and only a reasonable plan to secure funding. During PE, the project sponsor must make significant progress towards securing commitments of non-Section 5309 New Starts funds. ***If a project has been in PE for more than 2 years and no non-Section 5309 New Starts funds have yet been committed to constructing the project, FTA will put the sponsoring agency on notice that the subfactor rating will be lowered the following year if commitment of funds is not improved. The contractor should include a statement to this effect in both the written assessment and the profile text submitted to FTA.*** When a project applies to enter final design, the majority of the non-New Starts capital funding must be committed (at least 50%).

Project sponsors are expected to secure commitments for capital funding during PE and have at least 50 percent of the non-New Starts capital funding committed before approval to enter final design is granted.

The following categories and definitions are applied to funding sources:

> **Committed:** Committed sources are programmed capital funds that have all the necessary approvals (legislative or referendum) to be used to fund the proposed project without any additional action. These capital funds have been formally programmed in the MPO's TIP and/or any related local, regional, or state CIP or appropriation. Examples include dedicated or approved tax revenues, state capital grants that have been approved by all required legislative bodies, cash reserves that have been dedicated to the proposed project, and additional debt capacity that requires no further approvals and has been dedicated by the transit agency to the proposed project.
>
> **Budgeted:** This category is for funds that have been budgeted and/or programmed for use on the proposed project but remain uncommitted, i.e., the funds have not yet received statutory approval. Examples include debt financing in an agency-adopted CIP that has yet to receive final legislative approval, or state capital grants that have been included in the state budget, but are still awaiting legislative approval. These funds are almost certain to be committed in the near future. Funds will be classified as budgeted where available funding cannot be committed until the Full Funding Grant Agreement (FFGA) is executed, or due to local practices outside of the project sponsor's control (e.g., the project development schedule extends beyond the TIP or CIP period).

<u>Planned:</u> This category is for funds that are identified and have a reasonable chance of being committed, but are neither committed nor budgeted. Examples include proposed sources that require a scheduled referendum, reasonable requests for state/local capital grants, and proposed debt financing that has not yet been adopted in the agency's CIP.

<u>Uncertain:</u> This category is applied when it is unclear from the agency's submission whether or not a funding source is committed, budgeted, or unavailable. Instances where the plan to secure committed funds is deemed to be unreasonable may be classified as uncertain. This category applies to funding sources that the agency describes as committed or budgeted but for which no supporting documentation is provided. Also, funding proposals that have repeatedly failed (more than once), such as failed local referendums or repeated denial of state grants, will be classified as uncertain.

<u>Unspecified:</u> This category is applied when the proposed non-federal funding sources are not sufficient to cover the proposed local share or have not been clearly identified.

2.2.3 Reasonability of the Capital Cost Estimates and Planning Assumptions and Financial Capacity to Construct the Proposed Project and Continue Rehabilitation and Replacement of Existing System

In previous years, FTA had separate subfactors for financial capacity and cost estimates/planning assumptions. As discussed in the proposed policy guidance published on February 5, 2007 and adopted as final guidance effective June 4, 2007, FTA has now merged these subfactors together. The assumptions used in the financial plan are critical to determining whether the project sponsor can construct and operate the proposed project while continuing to operate and maintain the existing system, which is required by SAFETEA-LU. The previous set of sub-factors and their equal weighting lessened the importance of using sound assumptions when developing the financial plan. A project sponsor could include very optimistic assumptions in the financial plan that would show the agency having sufficient financial capacity. Without those optimistic assumptions, the financial plan would paint a very different picture. Consequently, FTA has combined the two subfactors to acknowledge the importance of using sound assumptions in the financial plan and the inherent inter-relationship of the two subfactors.

The evaluation of capital cost estimates and planning assumptions focuses on the sensitivity of the financial health of the agency with respect to the assumptions regarding revenue forecasts, socio-economic conditions, cost inflation, and the reasonability of the cost estimates. The contractor will review the latest project management oversight (PMO) report to assess the quality and adequacy of the capital cost estimates. FTA will provide PMO reports to contractors.

Projects rated highly will use conservative assumptions for revenue growth (i.e., lower than historical averages) and cost inflation (i.e., above historical averages) and have sufficient financial capacity. To achieve a "medium" or higher rating, capital cost estimates must be in line with similar, recently constructed projects (subject to localized conditions) and have contingencies large enough to cover potential cost increases. In addition, the capital plan should be consistent with the CIP and the agency's fleet management plan. For example, the capital expenditures related to the replacement of fleet vehicles should coincide with the schedule and expenditures in the fleet management plan.

<u>The contractor should describe in the assessment the revenue growth assumptions used in the capital plan and their reasonableness based on historical experience. Inflation assumptions and their reasonableness should also be described. Finally, the assessment should include a discussion of the reasonableness of the federal funding assumptions.</u> FTA has indicated to project sponsors that an assumption of greater than $100 million in New Starts funding in any one year is overly optimistic.

Financial capacity to absorb cost increases or funding shortfalls is based on the adequacy of cash balances or reserve funds, and the availability of additional debt financing or other committed funds. Financial capacity is over and above contingency amounts included in the capital cost estimates. The agency should have a minimum of additional financial capacity (whether it is through reserve funds, debt capacity, line of credit or access to capital markets) equal to 10 percent for projects in final design, or 25 percent for projects in preliminary engineering (PE), of the total project cost without reducing service or deferring rehabilitation and replacement, while maintaining adequate cash balances and debt service ratios. Deferred capital projects may be appropriate for offsetting funding shortfalls.

To determine the rating for this subfactor, the contractor should weigh the reasonableness of the assumptions against the financial capacity of the project sponsor, placing more emphasis on the assumptions.

2.3 Summary Capital Plan Rating

The rating process accounts for the proposed project's stage of development. Proposed projects entering PE are subject to lower standards for commitment of local funds and coverage of capital cost increases and funding shortfalls than projects that have been in PE for several years. Projects can enter PE with a reasonable plan to secure funding commitments and the capacity to cover cost increases or funding shortfalls. During PE, the project sponsor must make significant progress towards securing commitments of non-Section 5309 New Starts funds and establishing additional financial capacity to cover cost increases and funding shortfalls. When a project applies to enter final design, the majority of the capital and operating funding must be committed.

Table 3 presents the guidelines for evaluating the capital plan. The capital financial plan will be evaluated based on the standards associated with each stage of project development. The highlighted text provides the standards for PE when they differ from the final design standards.

The weighting of each subfactor in the table to arrive at the summary capital plan rating is as follows:

- Capital Condition 25%
- Commitment of Funds 25%
- Cost Estimates & Planning Assumptions/Financial Capacity 50%

Table 3: Capital Plan Rating Standards

	High	Medium-High	Medium	Medium-Low	Low
Current capital condition	- Average bus fleet age under 6 years. - Bond ratings less than 2 years old (if any) of AAA (Fitch/S&P) or Aaa (Moody's) or better	- Average bus fleet age under 6 years. - Bond ratings less than 2 years old (if any) of A (Fitch/S&P) or A2 (Moody's) or better	- Average bus fleet age under 8 years. - Bond ratings less than 2 years old (if any) of A - (Fitch/S&P) or A3 (Moody's) or better	- Average bus fleet age under 12. - Bond ratings less than 2 years old (if any) of BBB+ (Fitch/S&P) or Baa (Moody's) or better	- Average bus fleet age 12 years or more. - Bond ratings less than 2 years old (if any) of BBB (Fitch/S&P) or Baa3 (Moody's) or below
Commitment of capital funds	For final design – 100% of Non-Section 5309 New Starts funds are committed or budgeted. For PE – Over 50% of Non-Section 5309 New Starts funds are committed or budgeted. The remaining funds are planned.	For final design - Over 75% of Non-Section 5309 New Starts funds are committed or budgeted. For PE – Over 25% of Non-Section 5309 New Starts funds are committed or budgeted. The remaining funds are planned.	For final design - Over 50% of Non-Section 5309 New Starts funds are committed or budgeted. For PE - No Non-Section 5309 New Starts funds are committed or budgeted, but the sponsor has a reasonable plan to secure all needed funding.	For final design – Between 25% and 50% of Non-Section 5309 New Starts funds are committed or budgeted. For PE - No Non-Section 5309 New Starts funds are committed. The sponsor has no reasonable plan to secure the necessary funding.	For final design - Under 25% of Non-Section 5309 New Starts funds are committed or budgeted. For PE - The sponsor has not identified any reasonable funding sources for the Non-Section 5309 New Starts funding share.
Capital cost estimates and planning assumptions/ Capital funding capacity	Financial plan contains very conservative capital planning assumptions and cost estimates when compared with recent historical experience. The applicant has access to funds via additional debt capacity, cash reserves, or other committed funds to cover cost increases or funding shortfalls equal to at least 50% of estimated project costs.	Financial plan contains conservative capital planning assumptions and cost estimates when compared with recent historical experience. The applicant has available cash reserves, debt capacity, or additional funding commitments to cover cost increases or funding shortfalls equal to at least 25% of estimated project costs.	Financial plan contains capital planning assumptions and cost estimates that are in line with historical experience. For final design - The applicant has available cash reserves, debt capacity, or additional committed funds to cover cost increases or funding shortfalls equal to at least 10% of estimated project costs. For PE - The applicant has a reasonable plan to cover cost increases or funding shortfalls equal to at least 25% of estimated project costs.	Financial plan contains optimistic capital planning assumptions and cost estimates. The applicant has a reasonable plan to cover only minor (under 10%) cost increases or funding shortfalls. For PE –The applicant has a reasonable plan to cover cost increases or funding shortfalls equal to at least 10% of estimated project costs.	Financial plan contains capital planning assumptions and cost estimates that are far more optimistic than recent history suggests.

2.4 Operating Plan

The operating plan is evaluated based on the following sub-factors:

1. Current operating financial condition;
2. Commitment of O&M funds needed to fund the project's subsidy;
3. Operating planning assumptions and O&M cost estimates and financial capacity to operate and maintain all proposed, existing and planned transit services.

2.4.1 Current Operating Financial Condition

The current operating financial condition of the project sponsor and its funding partners is evaluated based on current audited financial statements and available cash balances and/or reserve funds. A recent history of service reductions or fare increases higher than general price inflation to correct operating deficits is a signal that the agency is not in good financial condition and may be incapable of funding the operation and maintenance of its proposed transit system.

Another factor to consider when determining the current financial condition of the project sponsor is the current ratio, which is defined as current assets divided by current liabilities. The current ratio should be determined using the most recent audited financial statements submitted by the project sponsor. Both historical and current financial statements should be considered.

Lastly, if the contractor or FTA is aware of near term budget problems at the sponsoring agency that have not yet shown up in audited financial statements, this should be considered in the rating for this factor.

2.4.2 Commitment of O&M Funds

The start-up of a New Starts project will inevitably result in additional O&M costs for the transit agency. Additional fares or other operating revenues are unlikely to cover these additional costs, so new revenues must be identified and committed to cover the additional subsidy requirement.

The degree of commitment and availability of non-federal operating funds is evaluated based on the evidence of commitment provided by the project sponsor. Project sponsors are expected to secure commitments for O&M funding during PE and have greater than 50 percent of the O&M funding requirement committed before approval to enter final design. These percentages include projected incremental fare revenues. **Fare revenues and other ancillary revenues such as interest income and advertising revenues should be considered committed since they are within the control of the transit agency. Likewise, Federal formula funds (Section 5307) should be considered committed since they are within the control of the transit agency.**

Table 2 of the financial assessment should be prepared based on commitment of funds towards systemwide operating expenses in the first full year of operation of the proposed New Starts project.

2.4.3 Operating Cost Estimates and Planning Assumptions and Financial Capacity to Operate and Maintain Entire System

In previous years, FTA had separate subfactors for financial capacity and cost estimates/planning assumptions. As discussed in the proposed policy guidance published on February 5, 2007 and adopted as final guidance effective June 2007, FTA has now merged these subfactors together. The assumptions used in the financial plan are critical to determining whether the project sponsor can construct and operate the proposed project while continuing to operate and maintain the existing system, which is required by SAFETEA-LU. The previous set of sub-factors and their equal weighting lessened the importance of using sound assumptions when developing the financial plan. A project sponsor could include very optimistic assumptions in the financial plan that would show the agency having sufficient financial capacity. Without those optimistic assumptions, the financial plan would paint a very different picture. Consequently, FTA has combined the two subfactors to acknowledge the importance of using sound assumptions in the financial plan and the inherent inter-relationship of the two subfactors.

The evaluation of operating cost estimates and planning assumptions focuses on the sensitivity of the financial health of the agency with respect to the assumptions in the operating plan regarding ridership and revenue forecasts, socio-economic conditions, cost inflation, and the reasonability of the operating cost estimates. The contractor should review the following assumptions, to determine whether they are in line with historical averages and those of other similar transit systems (accounting for localized conditions):

- Unit costs;
- Service levels;
- Ridership;
- Fleet size;
- Farebox recovery;
- Average fare;
- Inflation rate; and
- Fare increases.

<u>The contractor should describe in the assessment the operating revenue and cost growth assumptions used in the operating plan and their reasonableness based on historical experience. Inflation assumptions and their reasonableness should also be described.</u>

Financial capacity is evaluated using the agency-wide operating plan. The project sponsor should be projecting adequate revenues from proposed or committed sources to operate and maintain the proposed project while continuing to fund the operations and maintenance program for the existing transit system. Positive cash balances, reserve accounts, and/or a new source of committed funds are acceptable means of proving financial capacity. This is often referred to in the industry as “working capital”.

Deferred maintenance and reduced service are unacceptable means of addressing funding shortfalls.

To determine the rating for this subfactor, the contractor should weigh the reasonableness of the assumptions against the financial capacity of the project sponsor, placing more emphasis on the assumptions.

2.5 Summary Operating Plan Rating

The evaluation of the operating plan for a proposed New Starts project must take into account the stage of project development. Projects can be admitted to PE before any operating and maintenance funding has been committed as long as a reasonable plan to secure committed funds is provided. Projects entering final design are required to have most of their O&M funds committed.

Table 4 presents the guidelines for evaluating the operating plan.

The weighting of each subfactor in the table to arrive at the summary operating plan rating is as follows:

- Operating Condition 25%
- Commitment of Funds 25%
- Cost Estimates & Planning Assumptions/ Financial Capacity 50%

Further, as discussed in the proposed policy guidance published on February 5, 2007 and adopted as final guidance effective June 4, 2007, FTA will now consider the degree to which a project sponsor has considered employing innovative contractual agreements when developing the summary operating plan rating. If the project sponsor can demonstrate it has provided the opportunity for the operation and maintenance of the project to be contracted out, FTA will increase the summary operating plan rating one level from "medium" to "medium-high" or from "medium-high" to "high." The bonus will not apply if the summary operating plan rating is below "medium."

Table 4: Operating Plan Rating

	High	Medium-High	Medium	Medium-Low	Low
Current Operating Financial Condition	- Historical and actual positive cash flow. No cash flow shortfalls. - Current operating ratio exceeding 2.0 - No service cutbacks in recent years.	- Historical and actual balanced budgets. Any annual cash flow shortfalls paid from cash reserves or other committed sources. - Current operating ratio is at least 1.5 - No service cutbacks in recent years.	- Historical and actual balanced budgets. Any annual cash flow shortfalls paid from cash reserves or annual appropriations. - Current operating ratio is at least 1.2 - No service cutbacks or only minor service cutbacks in recent years	- Historical and actual cash flow show several years of revenue shortfalls. Any annual cash flow shortfalls paid from short term borrowing. - Current operating ratio is at least 1.0 - Major Service cutbacks in recent years	- Historical and actual cash flow show several years of revenue shortfalls, or historical information not provided. - Current operating ratio is less than 1.0 - Major service cutbacks in recent years
Commitment of O&M Funds	For final design - 100% of the funds needed to operate and maintain the proposed transit system are committed or budgeted. For PE – Over 75% of the funds needed to operate and maintain the proposed transit system are committed or budgeted. The remaining funds are planned.	For final design - Over 75% of the funds needed to operate and maintain the proposed transit system are committed or budgeted. For PE - Over 50% of the funds needed to operate and maintain the proposed transit system are committed or budgeted. The remaining funds are planned.	For final design – Over 50% of the funds needed to operate and maintain the proposed transit system are committed or budgeted. For PE – While no additional O&M funding has been committed, a reasonable plan to secure funding commitments has been presented.	For final design - Sponsor has identified reasonable potential funding sources, but has received less than 50% commitments to fund transit operations and maintenance. For PE - Sponsor does not have a reasonable plan to secure O&M funding. No unspecified sources.	For final design - Sponsor has not yet received any funding commitments to fund transit operations and maintenance and has not identified any reasonable plan for securing funding commitments. For PE - Sponsor has not identified any reasonable funding sources for the operation and maintenance of the proposed transit system.
Operating Cost Estimates and Planning Assumptions/ O&M Funding Capacity	The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are very conservative relative to historical experience. Projected cash balances, reserve accounts, or access to a line of credit exceeding 50 percent (6 months) of annual systemwide operating expenses.	The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are conservative relative to historical experience. Projected cash balances, reserve accounts, or access to a line of credit exceeding 25 percent (3 months) of annual systemwide operating expenses.	The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are consistent with historical experience. Projected cash balances, reserve accounts, or access to a line of credit exceeding 12 percent (1.5 months) of annual systemwide operating expenses.	The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are optimistic relative to historical experience. Projected cash balances, reserve accounts, or access to a line of credit are less than 8 percent (1 month) of annual systemwide operating expenses.	The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are far more optimistic than historical experience suggests is reasonable. Projected cash balances are insufficient to maintain balanced budgets.

3. PRODUCTS AND SCHEDULE

The contractor will be responsible for two products: the **Financial Assessment Report** and the **draft text** for the **Project Profile** which is included in the annual report to Congress.

3.1 Financial Assessment Reports

The contractor shall develop a Financial Assessment Report for each assigned New Starts project. Financial Assessment Reports are based on the project and agency's financial evaluation, additional review of agency financial planning materials, and FTA comments and discussions. The reports include a summary of the findings and results, an analysis of each evaluation factor, ratings for each financial factor, and the summary financial rating. The contractor shall submit both a draft and final Financial Assessment Report. FTA will edit and comment on the draft assessment report prior to requesting a final version.

The Financial Assessment Report shall include a financial rating summary, which will consist of a series of tables that show the financial ratings for each of the factors analyzed. Ratings from previous years will be provided by FTA. The report also includes a section where the contractor will discuss changes in the ratings from the previous year. Lastly, the report includes recommendations for improvement so as to give the project sponsor guidance on how to improve the financial rating in future submissions.

3.2 Draft Text for the New Starts Project Profile

The draft text for the New Starts project profile should be concise and explain and support the financial ratings. The audience for this information is Congress and congressional staff. Much of the text can be drawn from the discussion of the sub-factor ratings. The contractor's draft text for the New Starts project profile will be edited by FTA staff. Final project profiles will accompany PE and final design approvals and will be included in the *Annual Report on Funding Recommendations*.

3.4 Schedule

3.4.1 Ratings and Assessments for Annual Report

The products described in the preceding section must be produced and delivered according to tight schedules dictated by the publication of the *Annual Report on Funding Recommendations*. FTA will provide the contractor a detailed schedule of all deliverables at the beginning of each report year (generally late summer/early fall). The sequence of submissions is as follows:

Product
Draft financial assessment report
Draft financial text for project profiles
Final financial assessment report

3.4.2 Ratings and Assessments for PE/Final Design Requests

Requests to enter preliminary engineering or final design can occur at any time throughout the year. FTA has an obligation to complete these reviews in a timely manner. The schedule for the financial assessment products is as follows:

- Draft financial assessment reports are due four weeks after the contractor receives the submission and based on FTA feedback.
- Final financial assessment reports and draft text for the project profile are due from the contractors two weeks after the contractor receives FTA comments on the draft report.